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FEDERAL RESERVE (CARLOS ARTETA)

SENSITIVE, SIPDIS

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TAGS: [ECON](#) [ELAB](#) [PGOV](#) [PREL](#) [ETRD](#) [PINR](#) [MX](#)
SUBJECT: CALDERON NAMES ECONOMIC CABINET

REF A. Mexico 6516

[1](#)B. Mexico 6424
[1](#)C. Mexico 6065
[1](#)D. Monterrey 1361
[1](#)E. Mexico 6413
[1](#)E. Mexico 5810
[1](#)G. Mexico 6542
[1](#)H. Mexico 6067

SUMMARY

[1](#)1. Mexican stocks jumped 1.6 percent on November 21 after President Elect-Calderon announced his Economic Cabinet. Many of the members were expected, having worked on the transition team, and/or for the Fox Administration. The new Secretary for Telecommunications and Transport Luis Tellez,

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however, was a member of the PRI who worked for past PRI governments. The only somewhat surprising choice is Secretary of Energy Georgina Kessel Q but she served as

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head of the Mexican Federal Regulatory Commission on Energy. Together, the new cabinet represents a consistent message that Calderon intends to continue the policies that have led to Mexico's macro-economic success and stability. The cabinet includes some U.S.-educated members, including former Fulbrighter (Kessel) and at least one participant in a U.S. Embassy International Visitor Program (Tourism Minister Elizondo). Since being officially named winner of the Presidential election in September 2006, Calderon has consistently called for economic reforms to create jobs by promoting public and private investment in infrastructure and undertaking fiscal, labor, energy, education and other economic reforms to improve Mexico's competitiveness (REFS A-D). The key for the new cabinet will be to move beyond rhetoric and actually implement reform. This would require tackling the monopolies, oligopolies and other special interests that have blocked reform in the past (REF E). Specific challenges facing each Minister are described below. END SUMMARY

¶2. On November 20, President-elect Calderon announced his Economic Cabinet:
Secretary of Finance, Agustin Carstens

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Secretary of Energy, Georgina Kessel

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Secretary of Economy, Eduardo Sojo Garza Aldape

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Secretary of Communications and Transport, Luis Tellez

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Secretary of Labor, Javier Lozano Alarcon

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Secretary of Tourism, Rodolfo Elizondo

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Agustin Carstens, Secretary of Finance

¶3. (SBU) Agustin Carstens' expected appointment as Secretary of Finance (Hacienda) will undoubtedly be well-

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received in the financial community, as he is known to be a solid economist and a skillful negotiator. Carstens, who was the head of Calderon's economic transition team, has already begun work on his initial tasks of developing the new government's economic program and the 2007 federal budget. When announcing Carstens' appointment to his transition team in October, Calderon noted that Carstens was charged with designing an economic program that would maintain macroeconomic stability and strengthen public finances in order to improve Mexico's competitiveness and generate jobs. In accepting his appointment, Carstens pledged to work to boost employment and combat poverty. Carstens had earlier been quoted saying that in order to achieve faster growth and poverty reduction, successful integration needs to be accompanied by prudent macroeconomic policies and a deepening of structural reforms.

¶4. (U) Carstens was Deputy Managing Director at the IMF from August 1, 2003 to October 16, 2006 and an Executive Director at the IMF from 1999 to 2000. Prior to taking his position as the Fund's Deputy Managing Director, Carstens

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was Mexico's Deputy Secretary of Finance. He also held senior positions at the Bank of Mexico, including those of head of operations and chief economist, and he was an Alternate Governor for Mexico at the Inter-American Development Bank and the World Bank. Born in 1958, Mr. Carstens received his BA in Economics from the Autonomous Technological Institute of Mexico (ITAM) in 1982, and his MA and Ph.D. in Economics from the University of Chicago in 1983 and 1985, respectively. Mr. Carstens has published many articles in leading journals in Mexico and abroad. He is fluent in English. (See REF H for additional information on Carstens.)

Georgina Kessel, Secretary of Energy

¶5. (U) In the press conference announcing her appointment as Mexico's first female Secretary of Energy, Georgina Kessel Martinez underscored the importance of the petroleum sector for public finances and said she would work for a significant modernization of the sector, preserve the

national patrimony, and seek more autonomy for Pemex, the national monopoly, as well as improve the firm's operational capacity.

¶16. (SBU) Kessel's greatest challenge will be reversing Mexico's declining oil production (REF E) and addressing massive inefficiencies in Pemex. The Mexican constitution forbids private or foreign investment in oil production. Absent fiscal reform to reduce the amount of Pemex revenue going to support the state budget, it is difficult to see how the firm can obtain the funds it needs for required investment to prevent significant production declines over the next five to eight years. Finding policy options (including possibly joint ventures and some foreign investment) that will bring in needed investments will be a key preoccupation.

¶17. (U) Kessel's most recent position, before being named Energy Secretary was as director of the Mexican Mint (Casa de Monedas). She also served as the first President of Mexico's Energy Regulatory Commission, the CRE. She has also served in the Mexican Secretariat of Finance/Treasury (Hacienda) as an Assistant Secretary for Investment and Privatization and at the Secretariat of Trade and Industrial Promotion, a precursor to today's Secretariat of the Economy.

¶18. (U) As an academic, Kessel taught for nine years at the prestigious Instituto Tecnológico Autónomo de México (ITAM). Starting her career as an office secretary in the travel industry, later she earned a bachelor's degree in economics at ITAM and won a 1980 Fulbright scholarship to Columbia University where she earned a Masters and PhD, also in economics. The Fulbright panel considering her candidacy singled her out for leadership potential.

¶19. (SBU) Kessel worked with leading Mexican economists Enrique Davila and Santiago Levy to develop Mexico's "Plan Puebla Panama" that supports development of Southern Mexico and Central America. This could suggest that the Calderon administration may retain the Fox team's Mesoamerican Energy Integration Plan (PIEM), an outgrowth of the Plan Puebla Panama. Earlier key Calderon staffers had suggested that the incoming Calderon team would scrap the PIEM.

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Eduardo Sojo Garza Aldape, Secretary of Economy
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¶10. (U) In accepting his appointment as Secretary for the Economy, Eduardo Sojo Garza Aldape promised to promote foreign investment and strengthen international trade in order to make Mexico one of the most attractive investment destinations in the world. He also pledged to work with the Mexican Congress and other sectors of the country.

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During the recent presidential campaign, Sojo worked in the Calderon war room on economic policy issues. Since the election, he has been Calderon's transition coordinator. Sojo is well-regarded in Mexico and brings with him a considerable amount of policy and academic experience in economic affairs.

¶11. (SBU) Sojo has pointed with great pride to the economic (and political) stability that the Fox Administration is bequeathing to its successor but has lamented its inability to gain congressional support for the sort of structural reforms necessary for a higher growth rate. As Secretary of Economy, Sojo will be responsible for international trade, foreign investment, industry and commerce, small and medium-sized enterprises, and intellectual property rights. Key challenges that Sojo will face include the implementation of Mexico's final and most painful NAFTA obligations (including corn and beans). Other challenges are strengthening the international

competitiveness of Mexican industry, and diversifying Mexico's exports (at present, the U.S. takes approximately 85 percent of Mexico's exports).

¶12. (U) Sojo served as Coordinator of Public Policy in the Office of the President during much of the Fox Administration, and had worked on Fox's transition team in ¶2000. Prior to that, he had been Coordinator of then-Governor Fox's Economic Cabinet for the state of Guanajuato. Even earlier, he had been Technical Director and Short-Term Statistics Director of INEGI (National Geography and Statistics Institute). From 1979 to 1982 he performed a variety of activities as an analyst in the General Economic and Social Policy Bureau. He has been a researcher and professor at the Monterrey Institute of Technology and Advanced Studies, and has authored numerous economic articles in various periodicals and reviews. Together with Nobel Prize winner Lawrence Klein, he published research on combined time series and econometric modeling. Born January 9, 1956 in Leon, Guanajuato, Sojo earned his Bachelors in Economics from the Monterrey Institute of Technology and Advanced Studies, and a Masters